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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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India-Pakistan: *Danger of War Persists*

Neither Prime Minister Gandhi's efforts in Western countries nor a Pakistani delegation's representations in Peking brought forth everything these missions were seeking. Reactions in both India and Pakistan during the next few days may indicate the effect the missions will have on the likelihood of full-scale war. Meanwhile, the danger of war arising from escalation of a local skirmish in the east or from a Pakistani retaliatory strike at guerrilla or army bases in India remains high. Cross-border clashes continue, regular Indian Army forces have made at least one foray

into East Pakistan, the Mukti Bahini guerrillas are making deeper inroads, and the morale of the Pakistani Army and police is showing signs of wear.

Mrs. Gandhi, who is due back in India on 13 November, apparently was something less than successful in her campaign to convince Western statesmen to force President Yahya Khan to negotiate with imprisoned Bengali leader Mujibur Rahman. Whether she still thinks a satisfactory

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settlement can be achieved without war should become clearer in the days following her return home. Parliament is scheduled to reconvene on 15 November, and pressure is expected to build for direct military action to liberate East Pakistan. Such pressure is not likely to cause Mrs. Gandhi—who enjoys a commanding parliamentary majority and widespread public support—to choose war against her better judgment, but her government's response may shed considerable light on whether she and her ministers think war can be avoided.

Mrs. Gandhi said in Paris on 8 November that she was willing to meet with Yahya to "discuss all problems between India and Pakistan." But she repeated her contention that East Pakistan is a Pakistani problem which should be solved through negotiation between Islamabad and the Bengalis.

A quick visit to Peking by a Pakistani delegation headed by West Pakistan's leading politician and former foreign minister, leftist Z. A. Bhutto, produced mixed results. Although the Pakistanis received a renewed public pledge of Chinese support against India, they almost certainly got less than they had hoped for. Speaking at a banquet for the visitors, Acting Foreign Minister Chi Peng-fei reaffirmed his government's endorsement of Pakistan's unity and condemned India for carrying out subversive activities and military threats against Pakistan. He clearly suggested, however, that Islamabad seek a political settlement in East Pakistan and work toward a negotiated settlement with India.

Despite the presence of high-ranking military officers in the Pakistani delegation, there was no mention of increased Chinese military aid, and Chinese pledges of support were vague and contingent upon external aggression.

The mission to China apparently laid to rest any lingering Pakistani hopes that China would send troops to Pakistan's aid in the event of war. As a result, Islamabad's military rulers will probably be reluctant to initiate major hostilities, unless their position in East Pakistan becomes intolerable and they decide that only a war will enable them to extricate themselves.

Tensions remain high on the India - East Pakistan frontier. Both countries continue to fire artillery across the border and to accuse each

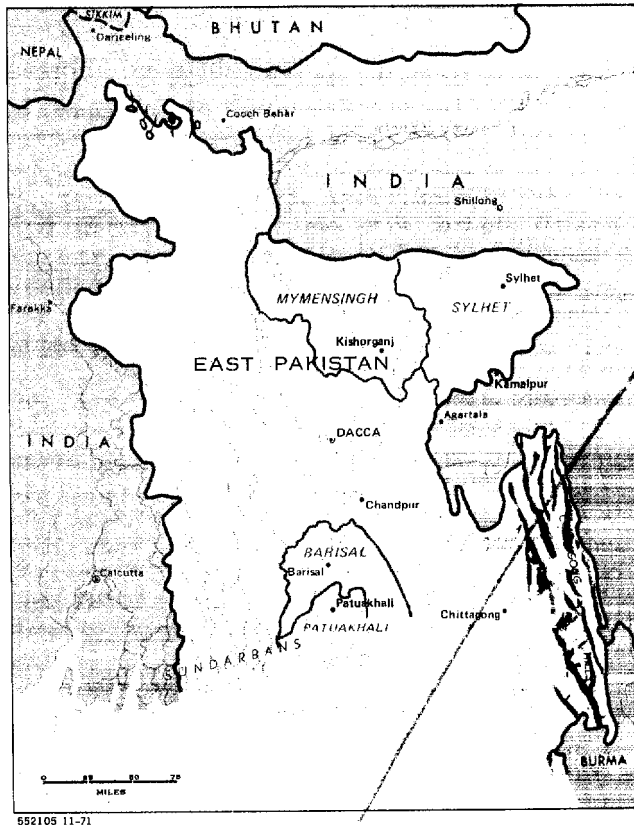


Yahya



Mrs. Gandhi

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tricts, and have been engaging Pakistani troops in heavy fighting in Sylhet District. The Mukti Bahini, which is affiliated with the politically moderate Awami League, also is reported to be battling with radical leftist guerrilla bands in several areas. Bombings are occurring more frequently in Dacca and Chittagong, and several bank robberies have been attributed to the Mukti Bahini since the beginning of the month. Attacks on collaborators are also increasing.

On 5 November a guerrilla bomb damaged a coastal vessel near the port of Chandpur that was carrying foodgrain and was clearly marked as engaged in UN relief operations. The attack could indicate that some guerrilla groups have decided to interfere with UN relief operations. Many of the guerrillas are convinced that international relief efforts are not helping the majority of the Bengali people.

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other of border and airspace violations.

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The Pakistani position in the east is eroding. The Mukti Bahini has stepped up its activities. The guerrillas have apparently taken control of the Kishorganj area in Mymensingh District and the rural portions of Barisal and Patuakhali dis-

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Chile: More Changes Ahead

While attention in Chile focused on Fidel Castro's visit, the Allende government began taking new measures to sustain its momentum. Among the more important are moves to restructure the Congress and electoral procedures and to renegotiate Chile's large foreign debt.

During his first anniversary speech on 4 November, Allende said that he was submitting legislation to create a unicameral congress, although he avoided using his Socialist Party's favorite term, "popular assembly." He said he would also ask for reapportionment, the scheduling of legislative elections coincident with presidential ones, elimination of by-elections, and power for the President to dissolve congress once during his term. Most of these appear logical ways to reform Chile's cumbersome parliamentary and electoral systems; some have been favored by exasperated chief executives in the past. ~~Despite some misgivings in opposition ranks, Allende thinks he can get most of the changes through congress.~~

If the congress were to reject the legislation, the matter would be put to a plebiscite. Some reports have suggested that Allende and the Communist Party have been reluctant to do this until they were sure of success. Recent regular, student and union elections have not been reassuring, but Allende may have decided that there is little to gain by waiting. The Socialists, always radical, have pressed for prompt creation of a "popular assembly" as a basic revolutionary need that the Chilean people would be sure to approve.

Congressional action on the bill might drag out for many months before Allende could claim total rejection and call a plebiscite, although he has constitutional means to force the issue. Opposition Christian Democrats have claimed that they could stall the process for "at least a year." The next regular legislative elections are set 16 months hence, in March 1973.

Meanwhile, the Christian Democratic and National parties are trying to overcome their

mutual distaste and field single candidates in by-elections to be held on 16 January for a senate and a chamber seat. The two have been able to agree to do this only once since Allende came to power, and the candidate won.

In his long speech on 4 November, Allende again switched from tolerance to criticism of the Movement of the Revolutionary Left's continued extremism and incitement of violence. He emphasized his government's non-Marxist plurality by welcoming the Christian Left, the new affiliation of Agriculture Minister Chonchol. He did not refer to his failure to force the Radical Party to accept his wish and appoint some of its dissident moderates to official posts. The dissidents, led by half the Radical congressional contingent, have formed a new party that seems likely to be more influenced by its leaders' political ambitions than by its vague promise of "independent cooperation" with the Allende coalition.

In a list of rosy but one-sided economic statistics, Allende referred to Chile's foreign debt. He said it had been "contracted by preceding governments" and was the largest per capita debt in the world after Israel. Five days later he announced that Chile would attempt to renegotiate and consolidate the debt. As he has done before, he implied that Chile would pay the third-party debts of the copper companies. As usual, he left himself several outs.

Allende has chosen to temper his public remark that he planned "with all due respect" to ask Castro if the Cuban leader did not agree that Chile had accomplished more in one year of revolution than Cuba, and without "social cost." Later he emphasized the similarity of the two countries' revolutionary struggle and their solidarity, but said that tactics were different because Cuba "always had dictatorships" while Chile has been a constitutional democracy.

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Castro's Odyssey Begins

Castro arrived in the Chilean capital on 10 November and was scheduled to travel to the northern copper mining areas two days later. Despite a few minor incidents, his reception was warm and friendly and large crowds turned out to greet him. He reportedly will go from Antofagasta to Concepcion and Punta Arenas before returning to Santiago. If he is permitted to make the personal contacts he wants with student, labor, and political leaders, the boost to his ego—deflated somewhat by declining popularity at home—could be considerable.

The makeup of the delegation accompanying Castro is remarkably unspectacular and suggests the trip is not a business one. Armando Hart, for example, is primarily concerned with domestic political tasks and rarely becomes involved in international affairs. Education Minister Castilla and Minister of Mines, Metallurgy, and Fuels Miret are concerned mainly with the conduct and

development of their respective ministries; they presumably will pursue the contacts between the two countries in their respective fields. The inclusion of the Havana army commander suggests Havana realizes the importance of developing a "correct" professional relationship with Chilean military leaders. All four members of the delegation are totally committed to Castro and none has either the inclination or the political stature to upstage Fidel during the trip.

After four years of concentration on domestic problems, Fidel Castro is now turning to international relations. On departing for Chile, Castro announced that he will also visit Algeria, Hungary, Bulgaria, and the USSR sometime next year. If his sojourns abroad reduce his meddling in domestic economic schemes, the effect on the national economy may be salutary. They will also help to dispel the sense of isolation the Cubans have experienced ever since the suspension of Cuba from the Organization of American States in 1964.

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Cambodia: The Going Gets Sticky

The Communists brought their dry season offensive to Phnom Penh's doorstep on 10 November when they launched a mortar and rocket barrage against Pochentong Airfield, and followed it with a ground attack against a nearby communications site. Damage to aircraft and airfield facilities was light—three planes destroyed and 13 damaged. In last January's shelling and sapper assault against Pochentong approximately three quarters of the Cambodian Air Force was destroyed.

The Communists have also stepped up activity northwest of the capital. Two army battalions were attacked near Bat Doeng, the present terminus of rail service out of Phnom Penh. Farther to the northwest, the Communists overran the village of Bamnak, where the cross-country rail line was originally severed last year. Government losses were 36 killed and 100 wounded in these actions.

The heaviest fighting is still along Route 6 where Chenla II forces remain engaged at Rum-long. The fighting has entered the third week and has begun to take its toll among government troops in the field and among Cambodian Army leaders in Phnom Penh. A senior Khmer Krom officer claims never to have seen such heavy fighting in his 15 years of service. The Communists appear to be maneuvering small units armed with

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~~crew-served weapons throughout the area and are able to keep a round-the-clock barrage on government troops.~~

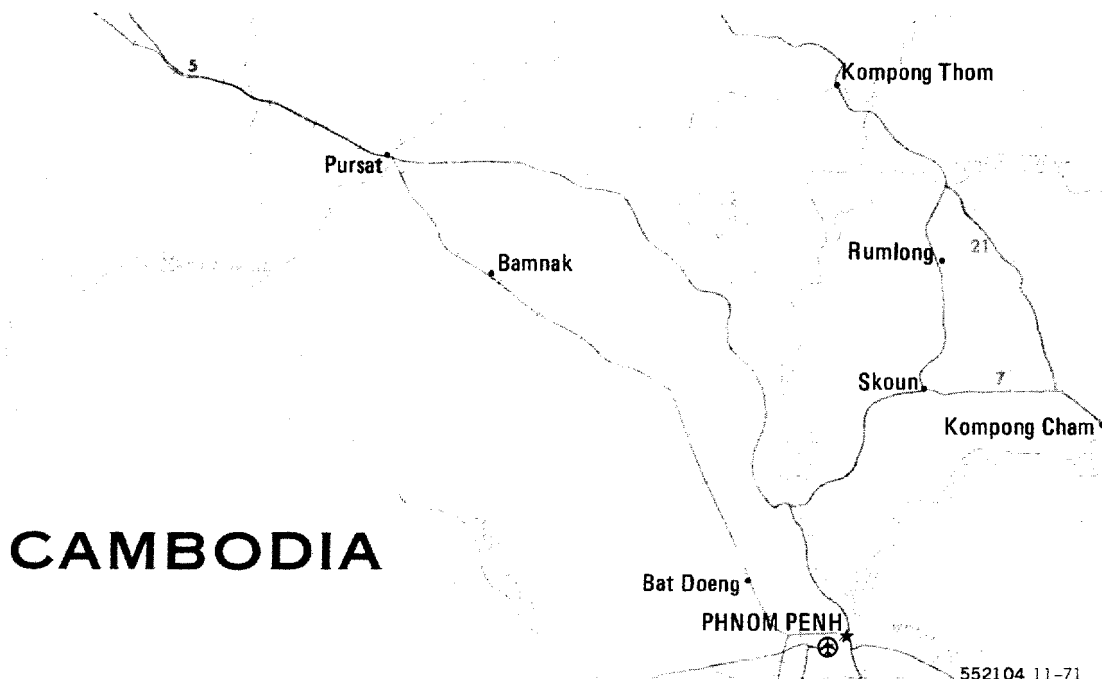
The Communists are maintaining the pressure despite what appear to be very heavy losses from air strikes. They evidently have been forced to rotate their forces. ~~Lon Nol called his field commanders back to Phnom Penh for consultations amid growing pessimism among the general staff over the Route 6 situation.~~

Political Problems Brewing

The government also received a political jolt on 8 November when former deputy prime minister In Tam, who was fired by Lon Nol in September,

defeated a government-backed candidate for chairmanship of the constituent assembly. The vote is a sign of continuing resentment on the part of opposition elements to the government's transformation of the National Assembly into a constituent assembly last month. Both long-time administration critic Yem Sambaur and government counsellor Son Ngoc Thanh actively lobbied for In Tam's election. Thanh's opposition politicking is more evidence that he is still playing an independent game despite protestations to the contrary. The constituent assembly may soon begin its deliberation on a new constitution. Disagreement between the assembly and the government is expected to develop over two primary constitutional issues: the form the new government should take—parliamentary or presidential—and the rights of the military to vote and hold public office.

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South Vietnam: Focus on the Economy

Speculation about a possible government reorganization and an economic reform program was at the center of political attention this week. Although a shake-up in high-level government personnel is down the road a bit, the economic measures are scheduled to be implemented next week. President Thieu will stress the need for economic reform in his "state of the union" address to the National Assembly on 15 November, and many of the measures are to be put into effect by executive decree two days later. The reforms are designed to speed up the country's economic development and increase government revenues. They could add to inflationary pressures over the short run.

Questions about the economy have contributed to a price rise in Saigon in recent days. Many apparently are concerned over the US Senate's vote on the foreign aid bill, and they fear the vote may be a sign that the US is preparing to abandon South Vietnam. Government officials have adopted a confident line in public, but privately they, too, have expressed concern. One result of this situation is that politicians of various stripes are calling for greater economic self-sufficiency.

Politician Assassinated

The killing of Nguyen Van Bong, leader of the Progressive Nationalist Movement, deprives South Vietnam of one of its most effective and respected politicians. His party, which follows a moderate opposition course, is one of the few with real organizational strength in areas outside

of Saigon. Although Bong's assassins are unknown, he had no known political or personal enemies, and suspicion falls on the Communists. Specific Communist motives for singling out Bong are not evident; in the past they have sometimes conducted such terrorism mainly to demonstrate that the security situation in Saigon is still uncertain.

A Question of Cover

The Viet Cong have put considerable emphasis in recent months on giving some of their cadre legal cover so that they can pose as citizens in government-held areas. Once thus established, usually by bribing South Vietnamese officials, the cadre try to proselyte other citizens to oppose the government and work with the Viet Cong. They attempt to penetrate government security and military units and join political parties and other government-sanctioned organizations to subvert their members.

This emphasis appears to reflect a belief that the Communists were losing contact with the people because of the government's pacification program. The Communists evidently felt that by using more legal cadre they could partially offset the government's encroachment and restore some contact with the local people, who, in some areas, once provided the Communists with manpower, money, and supplies.

There is no really accurate way of determining how many legal Communist cadre have infiltrated various South Vietnamese Government organizations, although it would appear that there are not a substantial number occupying influential positions. Most "legal" cadre appear to have started their careers by buying their way

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into fairly low-level positions and for the near term probably do not pose a serious threat to the South Vietnamese Government. In a cease-fire

environment, however, these people might be able to do more

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Thailand Ponders China

The government has decided against any major change in its China policy, although it evidently is trying to give an impression of flexibility.

dence of Bangkok's desire for better relations with Peking. Prime Minister Thanom told the press that a trade link should be the first step in a new relationship between Thailand and China and mentioned the possibility of cultural or athletic groups going to China. The soft line is probably intended to assuage public uneasiness over being on the losing side in the UN General Assembly vote on Chinese representation. Bangkok's support of the defeated resolution has provoked some sharp Bangkok press commentary on the necessity of placing consideration of Thailand's position above a desire to accommodate the US.

Although Bangkok is not prepared for any major forward movement at the moment, its public position could be intended as a signal that it is interested in improving relations and also to elicit a response from Peking. There appears to be sentiment among the hard liners in the government that the next move toward better relations should come from Peking. Bangkok's inclination to wait and see has been underscored by statements of Thai leaders on the need to maintain friendly relations with Nationalist China. Ties to Taipei will be strengthened by the pending visit to Nationalist China of high-level Thai delegations.

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Government leaders are describing the recent decision as a cautious step forward and as evi-

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A Surprise in the Philippines

The opposition Liberal Party's strong showing in the off-year elections on 8 November reveals the depth of dissatisfaction with the Marcos administration. The Liberals had been expected to do well in the cities, but they are running far ahead of expectations in rural areas. As the count in Nacionalista bailiwicks in the provinces near completion, the Liberals appear to have captured six of the eight contested Senate seats. The Liberals, eclipsed by President Marcos' massive re-election victory in 1969, had privately admitted their despair in the face of Marcos' powerful political machine. Both they and the Nacionalistas seem startled by the senatorial outcome.

In the gubernatorial and mayoralty contests, however, Marcos' Nacionalistas appear to have done better. It is control at the local level that is the real measure of political power in the Philippines. Nevertheless, the senatorial races had been widely interpreted as a test of Marcos' popularity, and the setback will be a blow to his ambition to stay in office beyond the constitutionally prescribed end of his term in 1973. Marcos appears to control a majority of delegates to the convention that is now considering changes to the Philippine constitution. This week's vote will raise questions whether a new draft clearing the way for Marcos to run again would receive backing in the popular referendum necessary before the changes can go into effect.

Despite his disappointment, Marcos has publicly taken the election results in good grace. A consummate politician, he may see a silver lining in that the relative honesty of the polling could reduce popular distaste at the tactics he used to secure his lopsided re-election victory two years ago.

Even with the Liberal gains, Marcos' Nacionalistas retain control of the Senate. In recognition of the Liberals' enhanced position, however, Marcos has invited them to participate in policy-making councils of the executive branch. The Liberals have not yet responded to this overture, which they may see as a presidential ploy to involve them in the shortcomings the voters evidently saw in the Marcos administration.



Mrs. Marcos at the polls.

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Malaysia-Singapore: *Changing the Guard*

The Five Power Defense Arrangement—the ANZUK nations (Australia, New Zealand, United Kingdom) plus Malaysia and Singapore—took effect last week when Britain officially terminated the former Anglo-Malayan Defense Agreement. The Far East Command headquarters in Singapore was closed in a nostalgic and colorful parade. About 4,500 British personnel will be assigned to the new force, a substantial cut from the approximately 21,000 British servicemen previously stationed in Malaysia and Singapore. Australia and New Zealand will contribute 2,980 and 1,235 men, respectively, to the new command. In addition, some 300 British and 20 Australian officers currently seconded to the Malaysian armed forces will remain.

Under the new arrangement, the ANZUK nations have not committed themselves to defend

Malaysia or Singapore in the event of an attack but only to consult about the possibility of mutual assistance. The ANZUK countries regard the new arrangements mainly as psychological reassurance for Malaysia and Singapore while the latter work to increase their individual defense forces. The chances of an external attack seemed remote when the agreement was negotiated, but recently some ANZUK leaders have expressed concern that Kuala Lumpur might call on them at some time in the future to help the Malaysians combat a serious Communist insurgency. Internal security problems as such are not covered by the Five Power Arrangement, but Malaysia contends that the terrorists are supported by China. A request for help would place the ANZUK powers in an embarrassing position, and they would probably feel constrained to provide at least token assistance.

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EUROPE

Inter-German Talks: *A Waiting Game*

Bonn, Pankow, and Moscow are all, in varying degrees, dissatisfied with the progress of the inter-German negotiations to implement the Berlin Agreement.

Bonn's negotiating pace is measured and in line with its preference for reaching a detailed rather than general agreement on the transit arrangements.

The East Germans, who have less to gain than the Soviets or West Germans, initially hoped to conclude a general treaty quickly, leaving the details to be worked out later. Recently, however, Pankow has been more forthcoming on details,

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both in the interest of getting on with the talks and in the hope that Bonn will reciprocate on matters of principle. In the long run the East Germans will have to follow Moscow's lead, but for the moment they are showing themselves to be staunch defenders of what they see to be their own "legitimate interests." Brezhnev, during his two-day visit to East Berlin ten days ago, publicly reassured Pankow that its interests must be taken into account. What he said privately is another matter.

Other Soviet officials have privately expressed exasperation at the lack of progress. Moscow fears that if the talks drag on too long its *Westpolitik* will be endangered. The ratification of Bonn's treaties with Moscow and Warsaw, a Conference on European Security, and perhaps even talks on mutual reductions of forces depend on a successful conclusion to the inter-German talks.

Since Brezhnev's visit, the East Germans have talked more of a quick signing. The communiqué of the visit spoke of "a rapid conclusion" to the negotiations. Honecker and East German negotiator Kohl subsequently have spoken of finishing the talks by the end of November. Certain technical details of the transit agreement have already been settled, but the likelihood that a final text can be concluded by the end of the month is remote. Attempts to accelerate the negotiating sessions have foundered—both because of the time needed to adjust negotiating positions and because of the already heavy demands on the endurance of the negotiators. With the West Germans persisting in negotiating clause-by-clause and the East Germans holding out on issues considered vital to their "sovereignty," it is unlikely that the talks can be concluded before early 1972.

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ICELAND: Foreign Minister Augustsson has largely quieted the storm that followed the cabinet's appointment on 14 October of a three-party committee to monitor defense policy, thereby stirring up fears that the Communists would have a major voice in deciding the future of the US-manned Icelandic Defense Force. The committee's establishment suggests that the Progressive Party leaders have come under pressure from their coalition partners, the Communist-dominated Labor Alliance and the Liberal Left, on their joint pledge to negotiate a phased withdrawal of the US force. Augustsson sub-

sequently reassured the US ambassador that his party retains exclusive control over this issue.

Augustsson, who has made similar assurances to critics in the right wing of his own party and in the opposition, reiterated that any decision will be based on a thorough, measured study just now being started, and has pledged for the first time that any decision will be submitted to parliament. Augustsson has not yet taken a position on recommendations that the opposition parties appoint representatives to work with the foreign minister and that any revision of the US-Icelandic Defense Agreement be submitted to a national referendum.

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USSR: *Little Fanfare for the Revolution*

The 54th anniversary of the establishment of Soviet power, celebrated in Moscow last weekend, was a humdrum affair. Except for the conspicuous absences of Politburo members Voronov and Mazurov, all the Moscow-based leaders turned out to hear junior Politburo member Grishin deliver an uninspiring and stumbling reading of a thoroughly pedestrian keynote speech. The traditional military parade was equally uneventful, with no new or significantly modified equipment on display.

Grishin's speech was the customary panegyric to Soviet achievements—with a heavy accent on Moscow's current diplomatic offensive. Brezhnev's trip to France was singled out. Taking language from a party-government statement published the same day, Grishin called the visit "an act of major international significance." At another point in his speech, however, he called it merely "an important event," suggesting that, despite the propaganda buildup surrounding the visit, some controversy may exist over the real value of the General Secretary's exploits in France.

The recent world-wide travels by other leaders were also highlighted, as were Moscow's bids

for new European security arrangements and for international disarmament gatherings. US-Soviet relations were only mentioned indirectly, though Grishin avowed that "known, positive results" had been achieved at SALT. In this connection, unlike last year's anniversary speech by Suslov, Grishin generally played down vigilance themes and made only passing reference to the regime's solicitude for the Soviet military's needs.

The choice of Grishin as the keynote speaker was, in effect, a snub to the two more senior members of the Politburo, Voronov and Shelepin, who have not yet been so honored. Unlike Shelepin, Voronov was not even present at the anniversary festivities. His absence may presage his removal from the Politburo when the Central Committee convenes. A frequent critic of Brezhnev's agricultural policies, Voronov was demoted from the post of premier of the Russian Republic last July. His present responsibilities in the government hierarchy do not warrant participation in the party's top policy-making body. The other absentee, Mazurov, was on vacation in Czechoslovakia where he twice met with party boss Husak. Mazurov, too, has been under a cloud from time to time, but there is no recent indication that he is in political disfavor.

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Frozen in Tradition

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Hungary Eyes Next Phase of Reform Strategy

The success of the Hungarian economic reform program of 1968—the New Economic Mechanism—has given the Kadar regime confidence to move into the next phase, political-governmental reform. The new phase will bring gradual, piecemeal change, and like the economic reforms it will be calculated to avoid raising Soviet hackles or taking irreversible gambles.

There have been pleas from within the state administration during recent years for a clearer delineation of responsibilities, as well as public outcry against bureaucratic sluggishness and irresponsiveness. Last week the party Central Committee met and discussed a proposal for “the development of state administration and party guidance of state activity.” The committee proposed to attack the problems of bureaucratic rigidity and inefficiency by giving state officials at functional and regional levels authority and responsibility to deal with local problems—a solution strikingly parallel to the principles of decentralized business management in the New Economic Mechanism.

The Central Committee proposal comes only a week after Premier Jeno Fock issued the most detailed appraisal to date on how far the economic reforms have progressed. The regime had

deemed stabilization of the economy mandatory before going on to attack other reforms; Fock's appraisal seems to have given the green light.

Kadar is likely to watch the new bureaucratic decentralization closely before implementing much needed party reform. His goal—a more cautious approach to Dubcek's “Communism with a Human Face”—is a party responsive to the attitudes and problems of Hungarian society. To accomplish this, he will have to prevent a party faced with change from stagnating into an entrenched, self-serving—or Soviet-serving—elite.

This is a dangerous undertaking for any East European reformer, and will require that Kadar control excessive rises in popular expectations. Although the regime has already launched a quiet campaign to lessen rigidity in the Communist Youth League and to lower the age structure of the party, the target date for internal party reform is at least four years away.

Kadar's grand strategy is cautious and gradual, avoiding innovations that might either fail on their own or risk Soviet ire. So far, he has been successful

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ROMANIA: During the party central committee plenum from 3-5 November, Ceausescu apparently did not back off from the strict Marxist-Leninist principles he set forth last July in his 17-point program that ostensibly called for domestic orthodoxy. Judging from available information, he appears to have decided to draw out the program over a longer period while concentrating for the short term on trying to reduce corruption. This approach probably is based on Ceausescu's assessment of local party meetings

held since July to discuss the program. His speeches at the plenum also show sensitivity both to internal criticism as well as to what he regards as frequent misrepresentations of the program by Western journalists—some of whom have erroneously compared it to China's “cultural revolution.” Significantly, Ceausescu ruled out the use of “administrative measures” as he proceeds with the program, thereby signaling to liberals and dogmatists alike that there will be no return to Stalinist methods.

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Western Europe: *Summit Next Year*

At meetings in Rome last week, the foreign ministers of the present and prospective members of the European Community agreed on a summit meeting next year. Held within the framework of the community's year-old experiment with "political consultations," last week's sessions were the first at which discussions with Britain, Ireland, Norway, and Denmark immediately followed a meeting of the Six. The change is in keeping with the community's desire to consolidate the enlarged grouping as soon as possible.

The formula agreed to last week stipulates that the summit next year should focus on "economic and monetary union but also on defining the perspectives for the community as well as its internal organization and its external relations and responsibilities." This comes close to West German Foreign Minister Scheel's original concept of a summit and reflects concessions by French Foreign Minister Schumann, who had wanted the meeting to concentrate on economic and monetary union. But Schumann did not oppose the broader agenda strongly; he even suggested that the summit should take up Pompidou's proposals of last February for organizing a "European government."

Scheel emphasized that a summit should not only strengthen consultation institutions but



Belgian Foreign Minister Pierre Harmel guides his Italian counterpart Aldo Moro.

should also lead to new and better procedures for conducting a dialogue with the US. Bonn feels the latter is necessary in view of the growing friction in US-European relations; the pressures in Europe for detente and, in particular, West Germany's own Ostpolitik. A number of observers of the Rome meetings, meanwhile, were impressed by the style—if not always the substance—of Schumann's portrayal of Paris' defense of Western and EC interests during the recent Brezhnev visit.

Preparations for the summit will begin at once, but the four candidates will not join in until they sign a community accession treaty. Most EC countries had hoped for a summit in the first half of 1972, but in deference to the wish of Ireland, Denmark, and Norway to await the outcome in their countries of referenda on EC accession, the date has been left open. In any case, the preparatory talks themselves are likely to accelerate debate on questions facing the community.

The ministers also touched on the India-Pakistan situation, China, Malta, East-West relations, a Conference on European Security, and the Middle East. No action was taken on the report on a security conference prepared by the political committee, although the Dutch have since suggested that the report—which reflects some narrowing of views among the Six on procedural aspects—be forwarded to NATO for "information." The economic aspects of such a conference remain under study by the political committee and representatives of the EC Commission.

On the Middle East, the ministers decided only that consultations would continue. Reflecting an earlier fiasco when sharp differences among the Six on the Arab-Israeli conflict became public, the ministers obviously are wary, for the moment at least, of producing any paper which might prove a source of contention. The ministers did decide to form a working group to study EC relations with all Mediterranean-basin countries.

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European Monetary Developments

Postponement of the Group of Ten meeting, planned for 22-23 November, gives the EC countries more time to achieve a common position on global currency realignments, an objective they reportedly were near after last week's EC finance ministers' meeting.

At that meeting, the French reportedly were flexible and cooperative. The biggest stumbling block to a common EC policy has been the establishment of an exchange rate between the French franc and the German mark. Negotiations may now have reached the stage that a forthcoming Pompidou-Brandt meeting could produce a resolution of the problem. There remains a possibility, however, that the French are being somewhat less than candid with Bonn and that the reported progress between the two could

vanish by the time of the Pompidou-Brandt summit.

In contrast to the pessimism prior to the meeting last week of EC finance ministers, the Europeans now feel ready to move forward. Italian Treasury Minister Ferrari Aggradi says the EC members have a common platform which, given US, Japanese and Canadian agreement, could form the basis of a global currency understanding. Few details on the platform are public, but the key element apparently is a proposal that the US devalue the dollar relative to gold by about five percent. France expressed a willingness to accept a change in the dollar-franc parity if it was accomplished by a devaluation of the dollar in terms of gold. A dollar devaluation of more than five percent, however, probably would cause Paris to devalue the franc as well.

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INTERNATIONAL OIL: Oil producing states and Western oil companies are moving cautiously on the complicated issue of the revenue increases demanded by the Organization of Petroleum Exporting Countries to offset the de facto devaluation of the dollar. As a result of low-key discussion between the oil companies and representatives of the Persian Gulf members of OPEC, a committee of technical experts will convene in

Vienna on 22 November to study the effects of international monetary instability on the revenue and purchasing power of OPEC members. Libya has protested oil company refusals to meet its demands on this issue, but has avoided any pre-emptory challenge. The Libyan Government may await the results of the Vienna study before calling for further discussions.

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BELGIUM: The government parties—the Socialists and the Social Christians—will return to parliament in virtually the same strength after the election last Sunday. Another Eyskens government is likely.

aspects of the revision as applied to the French-speaking capital. The Liberals, who campaigned ineffectively, lost nearly a third of their seats and any real prospect for entering into a coalition with the Socialists.

The increase in parliamentary strength by the French-speaking federalist parties, particularly in Brussels, was realized primarily at the expense of the badly fragmented opposition Liberals. The latter, who supported Eyskens' program of constitutional revision, saw their supporters opt for more vocal opposition parties. The Brussels vote was largely a protest against the discriminatory

The three linguistic parties now hold 46 seats in parliament—an increase of 41 over the past decade—and may constitute an effective opposition bloc to the new government. Eyskens' constitutional revision has formalized linguistic groups in parliament and given them veto power over much domestic legislation.

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Albania: *Business at the Same Old Stand*

The week-long gathering of more than 600 delegates to the party congress reiterated Tirana's hard-line foreign policy stance and rededicated the country to "revolutionary" development. International affairs seized the spotlight from the opening gavel.

The only foreign representation at the congress came from 24 Marxist-Leninist splinter parties, the North Vietnamese Communist Party and the South Vietnam National Liberation Front. The absence of official representatives from China and Romania, does not portend a cooling of relations with Tirana. While both sent high-level delegations to the last Albanian party congress in 1966, China has not attended a foreign party congress since early 1969 and the last Romanian party congress in late 1969 was not attended by the Albanians. Thus their absence seems well in line with their current practice.

Party boss Hoxha's opening-day glorification was laced with hard-line statements. Scathing attacks on the Soviet Union and the US were coupled with familiar accusations that the two powers are jointly attempting to rule the world. Hoxha rebuffed Brezhnev's overtures for normalization of relations last April, calling such Soviet moves nothing but demagoguery and implying strongly that there can be no improvement in relations without change in the Soviet leadership.

Little weakening of the Sino-Albanian bond was evident at the congress. There was ample praise for China, although no mention was made of Peking's contacts with the US. Several of Hoxha's remarks could be interpreted as expressing reservation about such contacts, but his advocacy of flexibility in fighting the enemy fits well

with Chinese ideological justifications of their dealings with the US. Hoxha's depiction of the splinter party movement as a going and growing concern is less muted than recent Chinese proclamations.

Albania's gradual emergence from diplomatic isolation was given little play, although the improved ties with its Balkan neighbors were noted approvingly. Hoxha restated Tirana's position that improved state relations "do not preclude mutual criticisms." Indeed, he brought Yugoslavia under attack for the first time since the two capitals exchanged ambassadors in February. The critical remarks concentrated on Belgrade's self-management system and possibly were motivated by an internal Albanian economic discussion.

With the exception of a decision to rewrite the state constitution, little new ground was broken in domestic policy. Premier Mehmet Shehu delivered a report on the new five-year plan. He underlined the great achievements of Albania's "revolutionary development," including the legal prohibition of religion, the abolition of direct taxation, and the claimed electrification of the entire country. Agriculture continues to lag while propaganda attention remains fixed on the nonagricultural sectors. Holding center stage during the next five years will be the construction, with extensive Chinese aid, of a metallurgical complex and of yet another large hydroelectric project. Party boss Hoxha, who turned 63 in mid-October and who appears to have reduced his schedule in recent months, retains his dominant position, while Shehu is still number two. The hard-line political complexion of higher party councils was left unchanged.

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AFRICA - MIDDLE EAST: Senegal's President Senghor and Nigeria's General Gowon, two of the four African heads of state who held separate talks with Israeli and Egyptian leaders last week, are scheduled to have further discussions in Cairo and Jerusalem later this month. The Africans were well received by the Israeli leaders, and in Egypt, despite initial misgivings, the authoritative *al-Ahram* reported that Cairo became somewhat more optimistic about the role of the mission.

The Egyptians have postponed UN General Assembly debate on the Middle East until at least

USSR-Egypt: *Economic Activities Increase*

The USSR will be playing a more active role in Egyptian economic development during the next few years as work gets under way on a number of projects.

The USSR has made \$418 million in economic credits available for Egypt's Second Five-Year Plan (1 July 1970 - 30 June 1975). At least \$195 million of this is new aid for various projects—rural electrification, land reclamation, construction of cement plants and grain silos, and development of Lake Nasser. In addition, almost \$225 million—some extended under earlier agreements—is available for other development projects, such as expanding the iron and steel complex at Helwan south of Cairo and constructing aluminum, ferrosilicon, and phosphorus plants.

The impetus for getting on with these projects probably comes in part from the completion of the Aswan Dam last year. The potential annual output of power generated by the dam is around five billion kw-h, but Egypt presently cannot use all of this energy in addition to the output of its existing thermal power plants. Completion of the rural electrification project and such heavy energy users as the aluminum plant will absorb much of the excess output. The aluminum plant, for example, could require up to two billion kw-h of electricity annually when it is completed in 1974.

early December. They want the full support of the OAU Committee of Ten "Wise Men" which meets in Dakar this week. Last year African support provided much of the margin for the 57-16 victory rolled up by the Arabs in the General Assembly for their controversial Middle East resolution. The Arabs are unlikely to risk a narrower margin, and without strong African support, they may well decide not to press for a Middle East debate in the General Assembly this year.

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Recent talks between Egyptian and Soviet power officials led to the establishment of two committees; one to examine the ecological problems of the Aswan Dam and the other to work on the rural electrification project. An estimated \$70 million in Soviet aid will be used to electrify many Egyptian villages. Egyptian engineers, some of whom will be trained in the USSR, will operate the rural electrification stations.

A protocol on the expansion of the Helwan Iron and Steel Complex calls for the first stage of work to be finished in mid-1973 and the final stage two years later. Production at that time is expected to be about 1.5 million tons per year. In addition to this Soviet involvement in Egyptian industry, Moscow is engaged to a limited extent in oil exploration. Soviet oil rigs have been moved from an unsuccessful effort at the Siwa Oasis to the more promising Umm Barka area, both of which are in the western desert near the Libyan border.

The USSR may also play a larger role in Egypt's commercial air transport. Cairo is weighing the merits, prices and terms for Soviet and US civil aircraft. The minister of civil aviation announced in late September that Egypt was planning to buy 12 aircraft. Meanwhile, Egypt has leased four Soviet IL-62 aircraft with Soviet crews for use on some of its international routes.

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Morocco: *Problems for the King*

Four months after the attempted coup of 10 July, the country is beset with numerous serious problems. Confidence in the regime has yet to be restored, business is in the doldrums, labor troubles are mounting and, perhaps most serious of all, the government is moving too slowly to set its house in order.

King Hassan, who continues to spend much time away from his capital, seems to have delegated considerable authority to Prime Minister Karim-Lamrani, who appears determined to remove the most blatant corruption besetting the regime. Thirteen persons, including six former ministers and three prominent Jewish businessmen, have been arrested and await prosecution.

It is questionable whether this belated action will be sufficient to renew public confidence in the King. Many Moroccans are openly cynical about the anticorruption campaign, expecting that it will stop short of the royal family—which it has so far. The King's brother-in-law, however, recently told the US ambassador that Hassan was

determined to rid the country of misconduct and inefficiency, even among his relatives.

Fears regarding the stability of the monarchy have had a dampening effect on business activity. Even the campaign against corruption, which should eventually improve the business climate, is likely to depress economic activity over the short run. Real estate values have plummeted as foreigners, Jews, and even the King have liquidated assets. The arrest of three prominent Jews is bound to increase the nervousness of the 31,000 Moroccan Jews, who have long been protected by the King. Even before the arrests, some Jewish leaders expected that most of the community would have left the country by the end of the year.

The most serious of the widespread labor difficulties has been the prolonged strike over wages by some 9,600 phosphate miners. It began as a wildcat strike on 27 September. Although the miners began to go back to work late last month, the dispute is still not settled and many other industries have been plagued with walk-outs.

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TUNISIA: The political squabble that cracked the veneer of stability in Tunisia has subsided almost as quickly as it began. This resulted in part because of the apparent decision of Liberal leader Ahmed Mestiri not to force a new confrontation, in part because of the success of Prime Minister Hedi Nouria in forming a new government and rallying most of the regional organizations of the Destourian Socialist Party to support it. Although the liberals still have a forum in the National

Assembly, particularly the debate next month on the 1972 budget, Nouria may isolate Mestiri even further by donning a liberal mantle and pushing party and governmental reforms.

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Zaire Republic: *Mobutu's Dilemma*

The Mobutu government is trying to deal with economic problems brought about by reduced copper revenues.

To deflect public discontent from the lagging economy, President Mobutu in September ordered a mass expulsion of West Africans and other aliens. The expellees were accused, with considerable justice, of involvement in diamond smuggling and extravagant charges were leveled against them. It was, for example, alleged that smuggling had robbed the government of one quarter of its revenue. The total annual revenue loss from diamond smuggling is in fact probably about \$3 million at most, less than one percent of government revenue. The foreign exchange loss because of this smuggling may amount to about \$10-\$12 million a year. The loss to the economy is particularly significant this year as copper earnings have dropped sharply, and brought \$100 million less than in 1970. As a result, foreign reserve holdings are much lower.

The President, a few weeks later, urged his people to "buy Congolese." Imports this year have risen 14 percent, while the value of exports has declined 13 percent (largely because of the drop in copper prices). This has resulted in a narrowing of the trade surplus. In a related action, new restrictions were placed on foreign workers' repatriations of salaries. The new measures could reduce such remittances, which last year amounted to \$88 million, by almost a third.

President Mobutu, presenting next year's budget to the National Assembly, took a strong stand on holding down government expenditure in the face of lowered copper revenues. Government salaries will not be increased, and officials were warned to hold the line on spending. At \$660 million, the 1972 balanced budget is seven percent lower than the current rate of government spending for 1971.

It is extremely doubtful, however, that Mobutu's administrative control is adequate to implement the budget. This year's budget was similarly austere, but the deficit had reached \$120 million at the end of August and probably will exceed \$140 million by the end of the year. A serious attempt to cut expenditure could trigger a sharp rise in unemployment among the more politically conscious urbanites. Deficits of such magnitude, covered by the central bank, can only



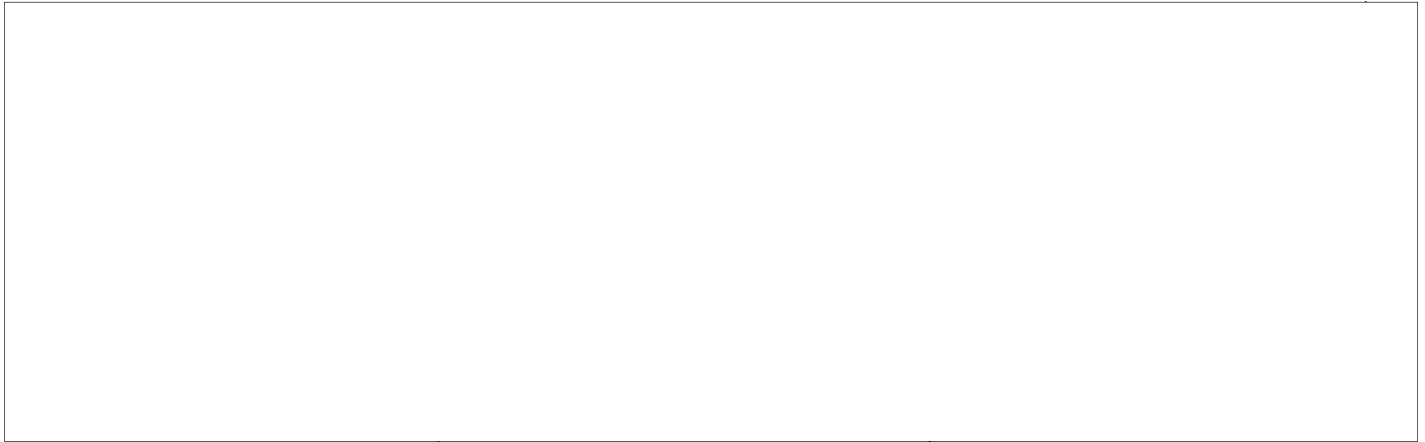
fuel inflation, already running at about ten percent a year. Furthermore, if the government were to impose restrictions on imports to conserve foreign exchange, the inevitable acceleration of inflation would hit the urban populace hardest. Prospects are bleak for resolving the dilemma of more unemployment or more inflation.

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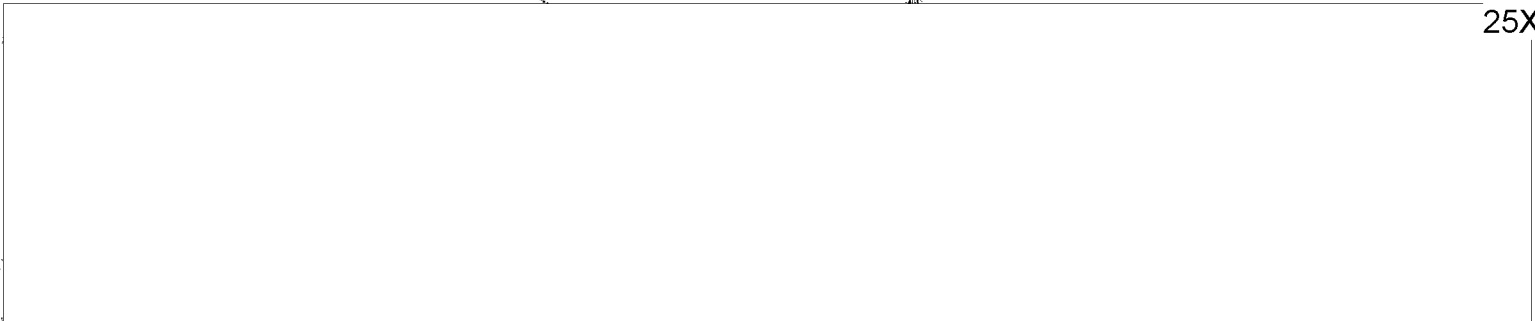
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ECUADOR: There are further indications that the government may not hold elections as scheduled in June 1972. On 18 October President Velasco declared, "Democracy can be an infamy if it converts itself into the destruction of the country, and dictatorship can be a healthy thing if it saves the dignity and honor of the people and the republic." He implied that if politicians would not play by the government's ground rules, there would be no elections.

As an alternative to outright cancellation of the elections, the government is trying to prove that the leading opposition candidate, Assad Bucaram, was not born in Ecuador and thus is

constitutionally prohibited from becoming president. Early in October the minister of government stated that the government had the question of Bucaram's nationality under consideration and that if the doubts were proven, "the pertinent laws" would be applied.

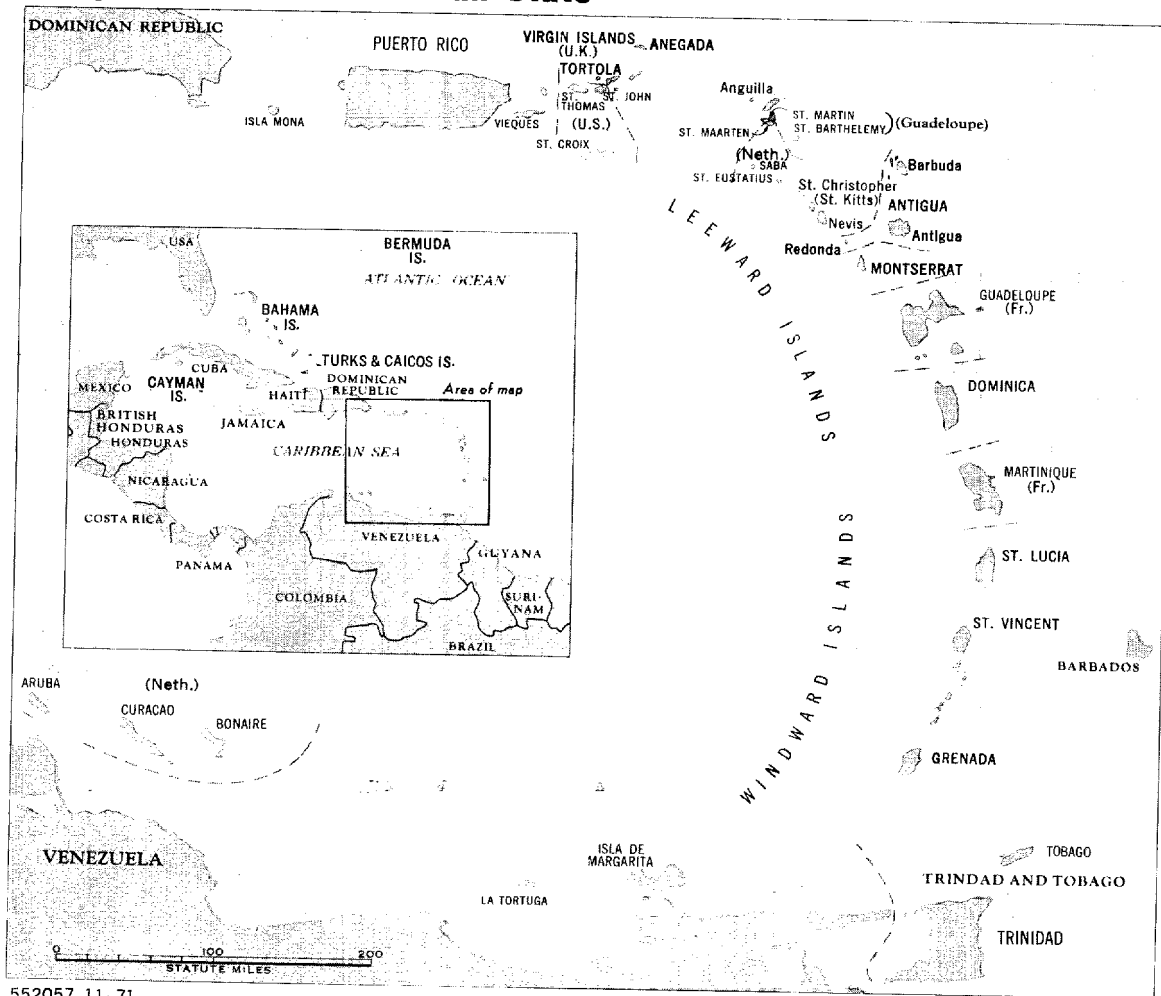
Serious deterioration of the economy or strong public outrage at cancellation of elections could provide the impetus, however, for a concerted move against the Velasco government.

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Caribbean Unity—A Failure in the Making

Plans to establish a new political state for the British Commonwealth Caribbean seem likely to suffer the same fate as earlier short-lived attempts.

An ambitious plan, the "Declaration of Grenada," was announced on 1 November. It called for a loose federation of Guyana with the British West Indian Associated States—except Antigua, which was uninterested. The plan was developed last summer under the aegis of Prime Minister Burnham of Guyana, who pictures himself as the leader of a unified Caribbean with Georgetown as the capital. At the time, the smaller states seem to have assumed that once agreement was reached, other independent states in the region—Trinidad-Tobago and Barbados—would decide to join. This proved not to be the case. The pair are piqued over Burnham's failure to consult them before calling the preliminary

conferences held last summer in St. Lucia and Grenada where details of the plan were ironed out. Also, the two believe they would be the major support for the smaller, less economically viable states.

More recently, some of the original participants have announced that changing circumstances have caused them to reconsider. Without at least one of the larger states to serve as a balance to Guyana, St. Lucia and Grenada have had second thoughts about leaving an association dominated by the United Kingdom for one they regard as certain to be dominated by Guyana. The timetable has already begun to slip. The constituent assembly originally scheduled for 1 January has been deferred "until such time as the preparatory commission has reached an advanced stage in its work." The other states plan to go ahead, but further slippage is likely.

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PERU: The government has extended its control over radio and communications in order to increase its ability to "educate" the general public. Under a law announced on 8 November, the government has expropriated 51 percent of the shares of all television stations and has restricted the ownership of radio stations. In addition, 60 percent of the programming must be nationally produced and all station owners and

employees must be Peruvian born. All stations must now give the Ministry of Education one hour of prime broadcast time each day for cultural and educational programs. The military government has stressed throughout its tenure the importance of educating the public about government policies, and the new law will enhance its ability to do that. Payment for the expropriated properties will be determined after a "technical and financial audit."

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Argentina: *Rough Times Ahead*

President Lanusse's efforts to forge a minimum degree of national unity as a prerequisite for a return to elected government are being hampered by multiplying political, labor, and economic problems. Labor unrest in Cordoba currently heads the growing list, which also includes increasing friction and dissatisfaction within the government

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Cordoba, where government security forces have clashed with workers and students many times in the past, is generally quiet after nearly two weeks of strikes and demonstrations. Though the surface is calm, underlying tensions have been fortified by strong resentment of the government's heavy-handed tactics in restoring order. Commenting on the virtual military occupation of the city last week, one moderate labor leader asserted that the indiscriminate repressive campaign only aggravates animosities as it casts hundreds of innocent people as "enemies of the state."

Symptomatic of the current tensions in Cordoba is the upsurge in urban terrorism. The past two weeks have seen a number of bombings, an attempted kidnaping, and several gun battles. The Cordoba labor confederation has temporarily postponed calling any more general strikes but is actively seeking the support of local students and political organizations for future opposition activities. It has called on the national labor confederation to declare a nationwide general strike in sympathy with the Cordoba unions that have been closed down by the government. ~~The US Embassy in Buenos Aires notes that the situation in Cordoba could easily worsen and that serious violence is a real possibility.~~

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